

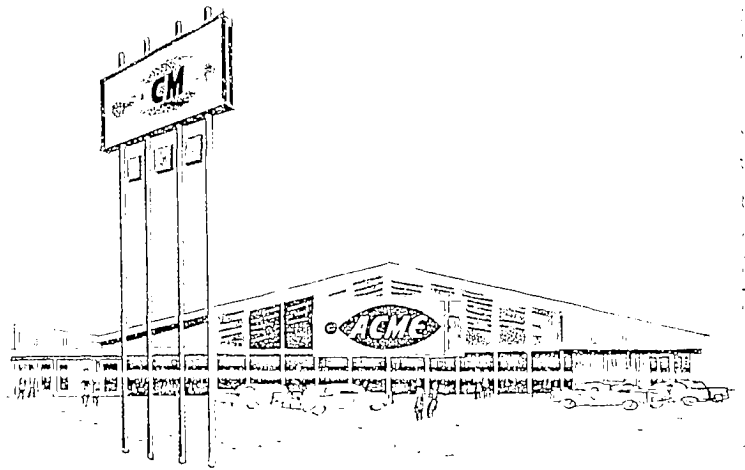
2nd list

AMERICAN STORES COMPANY

ANNUAL REPORT

FISCAL YEAR ENDED MARCH 31, **1962**





DIRECTORS

FRED J. HEANEY
JAMES K. ROBINSON, JR.
THOMAS H. SHERRARD
JOHN R. PARK
WILFRED D. GILLEN
PAUL J. CUPP
A. J. FAULHABER
ARTHUR LITTLETON
FRANK L. SPOON
ARTHUR C. KAUFMANN
WILLIAM C. PARK
A. KOHR SPRENKLE
CLAUDE W. EDWARDS

OFFICERS

PAUL J. CUPP
Chairman, Board of Directors, and President
JOHN R. PARK
Executive Vice President
JAMES K. ROBINSON, JR.
Vice President
A. J. FAULHABER
Vice President
A. KOHR SPRENKLE
Vice President
BLAYNEY J. BARTON
Vice President
WM. CARLISLE FERGUSON
Vice President
CLAUDE W. EDWARDS
Vice President
GORDON E. HOVEY
Vice President
S. A. GOULD
Assistant to the President
E. A. COLSON
Secretary
DAVID M. PARK
Treasurer and Assistant Secretary
A. E. GILFILLAN
Assistant Secretary

GENERAL OFFICES

124 North 15th Street
Philadelphia 2, Pa.

TRANSFER AGENTS

The First Pennsylvania Banking and Trust Company • Philadelphia, Pa.
Bankers Trust Company • New York, N. Y.

REGISTRARS

Liberty Real Estate Bank and Trust Company • Philadelphia, Pa.
First National City Trust Company • New York, N. Y.

STOCK EXCHANGES

New York Stock Exchange • Philadelphia-Baltimore Stock Exchange

FOR THE FISCAL YEAR ENDED MARCH 31,

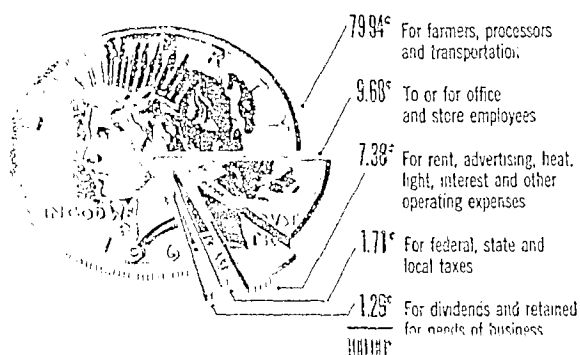
AMERICAN STORES COMPANY

**AMERICAN STORES COMPANY
AND SUBSIDIARIES**

	52 WEEKS ENDED MARCH 31, 1962	52 WEEKS ENDED APRIL 1, 1961
Sales	\$1,034,878,658	\$1,011,489,370
Net Earnings	\$13,330,067	\$12,673,280
Earnings per share of Common Stock . . .	\$5.71	\$5.45 (a)
Cash Dividends on Common Stock— annual rate	\$2.00	\$2.00
Stock Dividend	5%	5%
Working Capital	\$68,156,229	\$65,581,282
Current Ratio	2.20 to 1	2.27 to 1
Common Stockholders' Equity	\$131,481,260	\$122,338,093
Equity per share of Common Stock . . .	\$56.33	\$52.61 (a)
Number of stores at year-end	845	840

(a) Adjusted for 5% Stock Dividend paid in 1962.

For more comprehensive comparisons see Ten-Year Statistical Summary on page 12.





Philadelphia, Pa
May 24, 1962

It is a pleasure to report that both sales and earnings for the 52 weeks ended March 31, 1962, reached all time high levels in the Company's history despite a number of adverse influences. The results for the year are summarized on the opposite page.

Enclosed with this report is the Notice of Annual Meeting and Proxy Statement in which there is proposed a change in the Company's name from American Stores Company to Acme Markets, Inc. This change has been proposed to identify the Company more closely with the name by which our customers know us. There are only 34 of the smaller stores still operating under the name "American Stores" and they account for less than 1% of our total sales volume. With the exception of the Alpha Beta Division all of our other stores are operating under the name "Acme Markets."

The food industry is not only the nation's largest business outside of government, but one of the most dramatic in its influence upon our way of life. There is much talk these days about the current high level of the "cost of living" and the role played by food prices. It is a matter of record that retail food prices, as measured by the Government's index of food-at-home in February 1962 was only 1.9% higher than in August 1952, whereas the index for all items, excluding food, had increased by 16.4% during the same period. The growing teamwork among producers, processors and distributors has made possible the highest food living standard in world history. Americans today spend less than 20% of their disposable income for a diet which is better in variety, quantity, quality and convenience of preparation than in any other nation. Moreover, there has been a steady reduction in the share of the consumers' disposable income spent on food—as recently as 1947-49 this figure was 26%, compared to the less than 20% today. It has been said that the modern American self-service supermarket is democracy's finest showcase, dramatizing the abundance of our fair land. There is no finer example of the operation of the free enterprise system coupled with complete freedom of choice on the part of the consumers. Your management takes much satisfaction in sharing in this contribution to our way of life.

Many companies have gone into the junior department store, or so-called "discount house" type of retail unit. Without doubt this is the most controversial sub-

ject in the industry today. The direction that retailing takes will be determined ultimately by the consumer. We are closely watching for any significant changes in the pattern of consumer shopping, especially towards the supposed convenience of one stop shopping for all types of merchandise under one roof. Our current observations of the companies that are more deeply involved in this type of operation indicate that there are many pitfalls and problems involved. We do feel that there is good opportunity for the expansion of convenience-type, fast turnover non-food merchandise which can be handled within our present type of supermarket on a sound, profitable basis, and we are currently directing our efforts in this area.

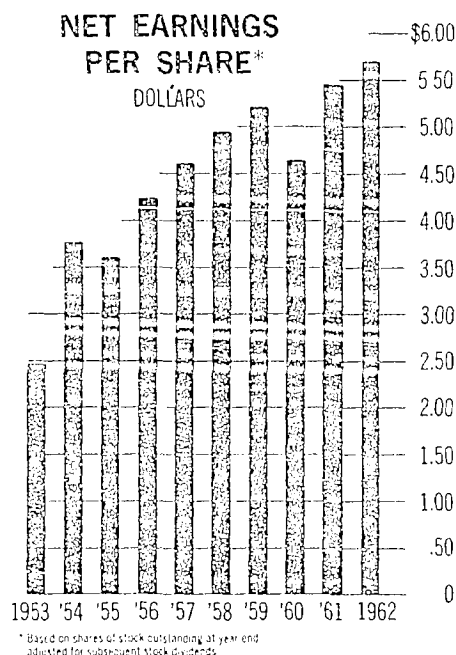
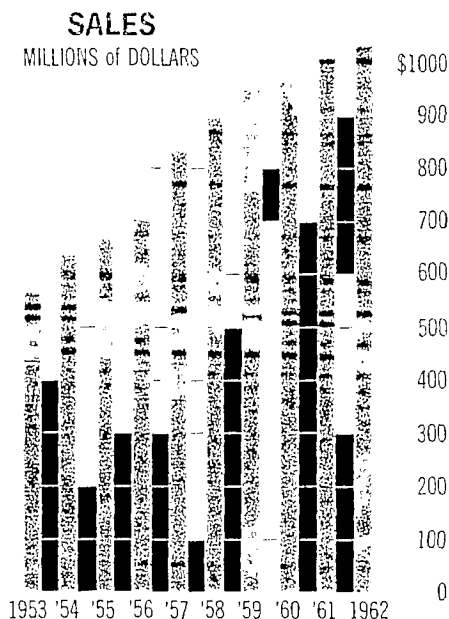
At the Annual Meeting held on June 28, 1961 Mr. Claude W. Edwards, a vice president of the Company, and president of Alpha Beta Acme Markets, Inc. was elected a director of the Company. All of the other directors were re-elected. Following the Annual Meeting, Mr. Paul J. Cupp was named chairman of the board of directors, as well as president. Mr. David M. Park, formerly assistant treasurer, was named treasurer and assistant secretary. In September, Mr. Gordon E. Hovey, formerly Syracuse Division manager was made a vice president of the Company in charge of Division Sales and Operations. On January 1, 1962 Miss S. C. Archer retired as assistant treasurer and assistant secretary. Miss Archer served the Company loyally and with great effectiveness for over forty-eight years.

Looking forward, we think we see an accelerated rate of progress, and we have ample financial resources to meet the needs and opportunities. Much of the territory in which we operate shows good population growth, and everywhere we are striving to better serve the public with an organization which is constantly growing in experience and enthusiasm.

Your management is grateful for the loyalty and support of our employees and stockholders who have made this year's results possible.

Respectfully submitted,

CHAIRMAN, BOARD OF DIRECTORS,
AND PRESIDENT



OPERATING AND FINANCIAL REVIEW

SALES Sales for the fiscal year ended March 31, 1962 rose to \$1,034,878,658 from \$1,011,489,370 the preceding fiscal year. This is an increase of 2.31%. Since retail food prices, as measured by the Governments' consumer price index of food at home, averaged slightly lower than in the preceding fiscal year, and showed the most noticeable decline during the large volume months of October, November and December, the gain in sales is a real one reflected by increased tonnage of goods handled. Sales were adversely affected during the current year by a strike in the Syracuse N. Y. Division which closed 57 stores for over three weeks in April 1961, and by another strike which closed the meat departments of the stores in the Philadelphia area for one week in December 1961.

EARNINGS Net earnings set a new record high of \$13,330,067, an increase of 5.18% over earnings of \$12,673,280 in the previous fiscal year. Earnings per share rose to \$5.71 compared with \$5.45 the previous year adjusted for the 5% stock dividend paid March 31, 1962. As will be noted on the chart above, net earnings per share have shown a steady growth over the years. Earnings per sales dollar increased to 1.29¢ compared to 1.25¢ the previous year. The provision for Federal and State income taxes was \$14,900,000, which is also a new record for any single year in the Company's his-

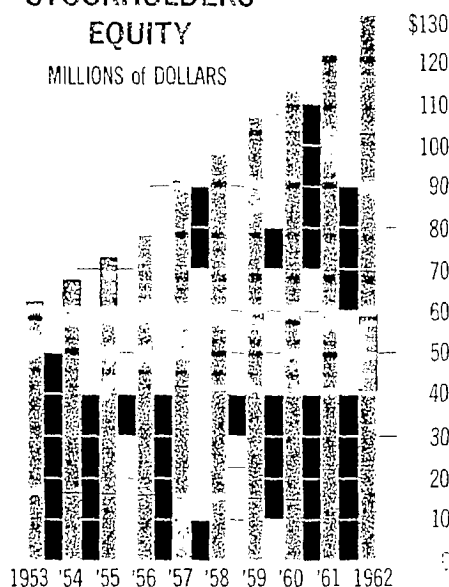
tory. On a per share basis, this amounted to \$6.38.

DIVIDENDS Cash dividends paid by the Company on its common stock totalled \$4,438,643, up from the \$3,987,793 paid in the previous fiscal year. This is the largest cash dividend ever paid by the Company on its common stock in any fiscal year. In addition, a 5% stock dividend was paid on March 31, 1962. Retained earnings were charged \$10,003,410, for the 111,149 shares issued in payment of this dividend. This is the ninth consecutive year in which a stock dividend has been paid. Those shareholders who have elected to retain their stock dividends have received increased cash dividends every year.

WORKING CAPITAL Working capital increased by \$2,574,947 to \$68,156,229 at the year-end. The ratio of sales to working capital was 15.2 to 1, a level which makes efficient use of our funds. This compares favorably with a ratio of 13.0 to 1 ten years ago. The ratio of current assets to current liabilities was 2.20 to 1. Total inventories increased slightly to \$72,703,956. Every effort is exerted to keep inventories at the minimum levels consistent with fully stocked markets. Studies are under way in two divisions of the Company preparatory to the installation of the latest transistorized computer data processing equipment. One of the chief func-

STOCKHOLDERS' EQUITY

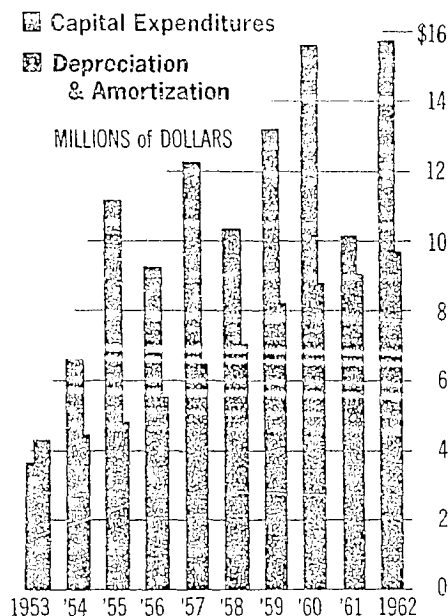
MILLIONS of DOLLARS



Capital Expenditures

Depreciation & Amortization

MILLIONS of DOLLARS



Source and Disposition of Funds

Fifty-two weeks ended March 31, 1962

SOURCE:

Net earnings	\$13,330,067
Provision for depreciation and amortization	9,693,574
Provision for deferred income taxes...	380,000
Proceeds from sales of common stock pursuant to exercise of options....	251,743
Miscellaneous, net	687,276
	<u>24,342,660</u>

DISPOSITION:

Expended for plant and equipment...	15,752,265
Repayment of long-term debt	1,576,805
Cash dividends	4,438,643
	<u>21,767,713</u>
Net increase in working capital.....	<u>\$ 2,574,947</u>

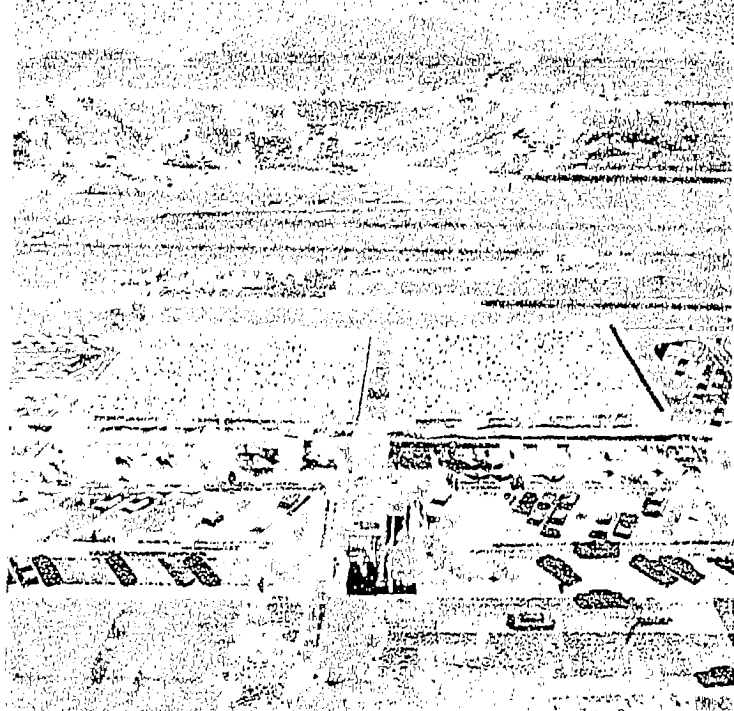
tions of this equipment will be the processing of store orders and maintaining of inventory control.

FIXED ASSETS At the year-end net fixed assets as shown on the balance sheet were \$80,719,011. During the year, new plant and equipment additions were \$15,752,265 whereas the provision for depreciation and amortization only amounted to \$9,693,574. Capital expenditures have exceeded the provision for depreciation and amortization in nine of the past ten years as is shown on the chart above. This excess has been provided entirely from retained earnings.

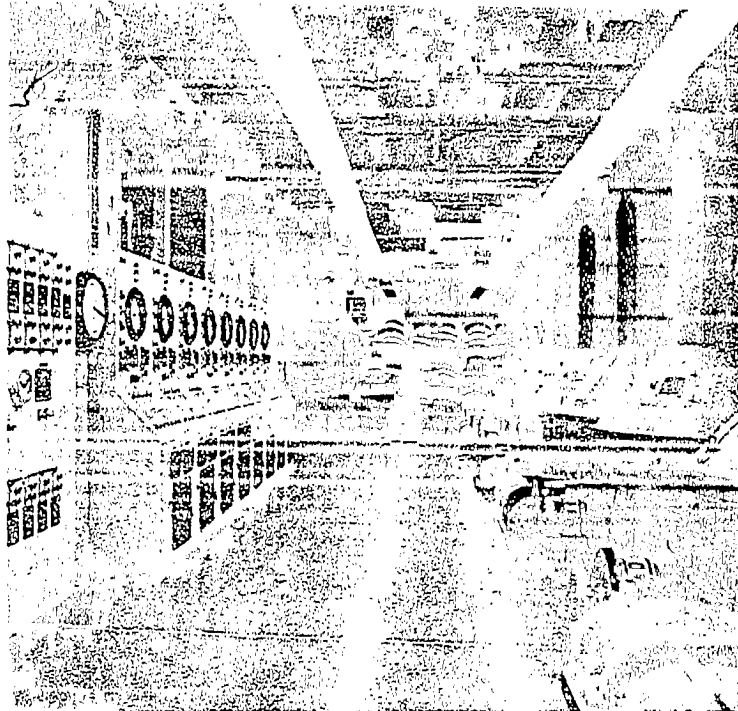
LONG TERM DEBT Long term debt was reduced by \$1,576,805 during the year to \$16,801,194 at the year-end. In addition to the regular sinking fund payments, an optional prepayment of \$173,000 was made on the 5½% note due February 1, 1973, and the balance of the 4% note due October 1, 1962 was pre-paid.

STOCKHOLDERS' EQUITY Total stockholders' equity at the year-end rose to \$131,481,260 or \$56.33 per share of common stock. Stockholders' equity has more than doubled in the past ten years and this has been achieved principally through the retention of earnings. The current position provides a sound base for the further expansion of the Company's business.

The chart on this page shows the source and disposition of funds for the latest fiscal year. It clearly indicates how retained earnings have provided the funds neces-



An architect's drawing of the Palm Springs, California shopping center which includes Alpha Beta's first store in this city. The Alpha Beta store opened on February 5, 1962.



A view of our automatic coffee roasting plant showing some of the extensive equipment installed to assure our customers of the finest quality coffee.

sary for capital expenditures in excess of the depreciation and amortization allowances as well as providing for a reduction in long term debt and the increase in working capital necessary for the increased volume of business. This same pattern is true not only of the latest fiscal year but applies equally to the past ten fiscal years. These earnings have played a necessary and vital part in allowing the Company to expand its business during this period and to provide the public continually with modern, convenient and attractive shopping facilities.

NEW STORES During the year 49 new markets were opened including several in San Diego, California. This is the Company's first entry into this rapidly growing metropolitan area. Also during the year 37 older outdated markets were closed as well as 7 of the service-type stores, so that at the end of the fiscal year there were 845 stores in operation as compared with 840 at the end of the previous year. With the exception of 1946 when the Danahy-Faxon stores were acquired, this is the first time since 1932, which ended with 2,977 stores with average weekly sales of less than \$750 each, that we have ended the year with more stores in operation than at the beginning of the year.

Plans for the current fiscal year call for the opening of at least as many new stores as were opened during the past year.

NEW PLANTS During the year work was completed on the new automatic coffee roasting plant in

Philadelphia, which enables us to better serve our customers with our "Asco", "Ideal" and "Wincrest" brands of coffee. A view of a portion of this plant is shown above.

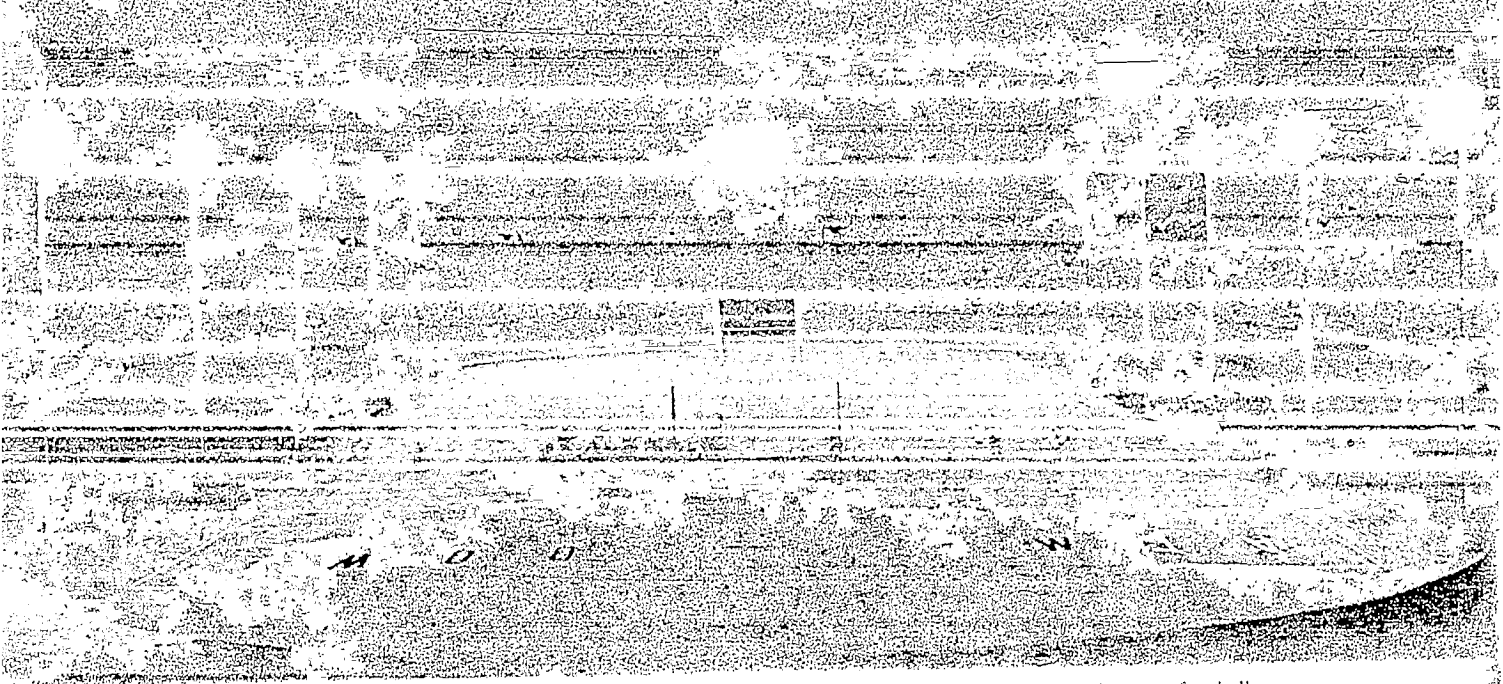
Architects are currently working on plans for a major addition to the Alpha Beta warehouse and office. It is anticipated that the construction will get under way this fall and will take over a year to complete. This new addition will relieve the present crowded conditions at that warehouse and provide room for further expansion.

EMPLOYEES A number of major labor contracts were negotiated during the year, and two involved work stoppages. The first affected the Syracuse, N. Y. Division where our stores were closed from April 7, 1961 to May 1, 1961. The other was in the Philadelphia area where our meat departments were closed for approximately one week in December 1961.

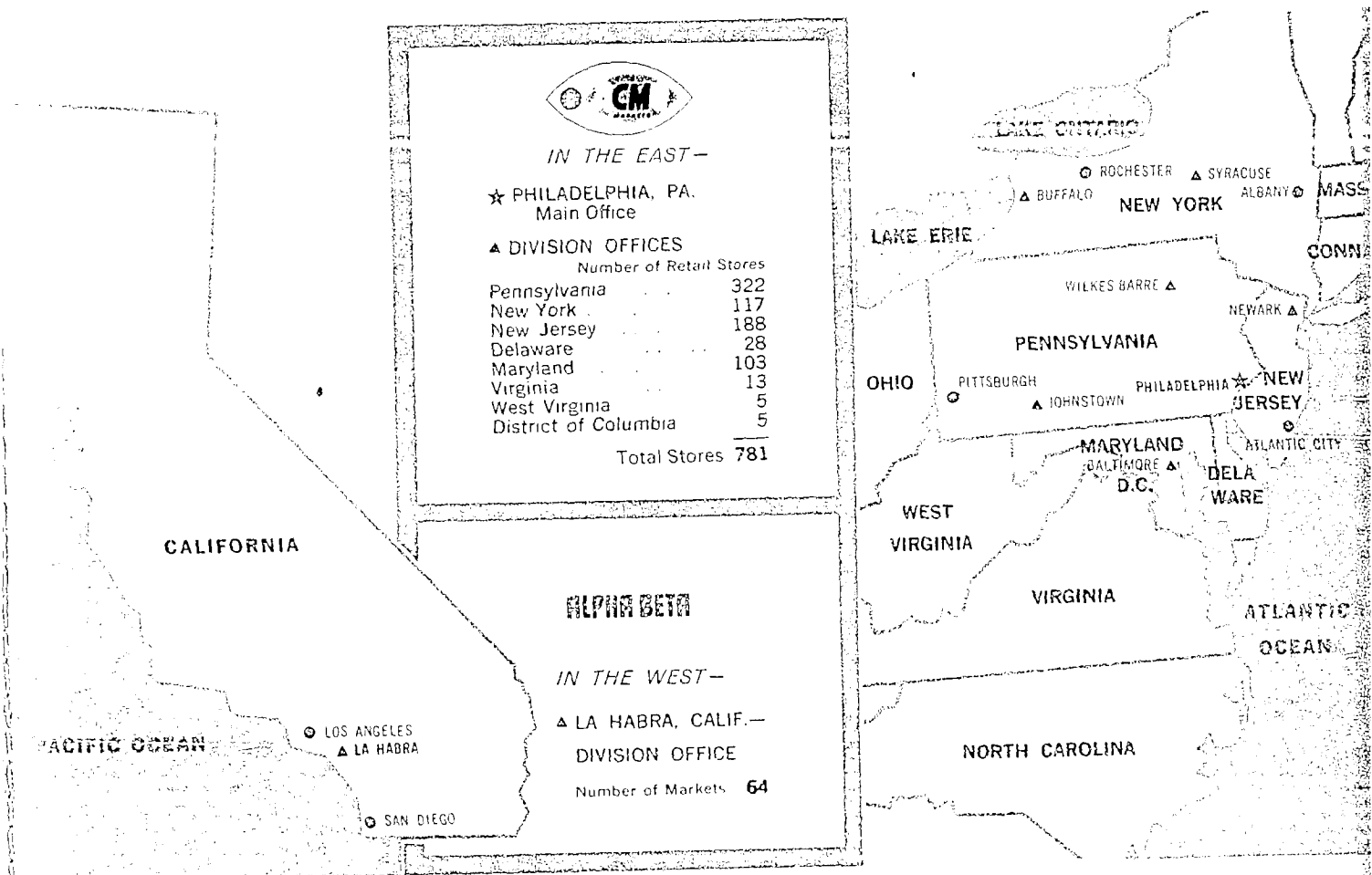
As of the year-end the Company employed approximately 26,000 persons.

During the year 115 persons completed twenty-five year's service with the Company and became members of the "Quarter Century Club". As of the year-end there were 2,377 members of this group which includes 447 retired employees.

The Company is continually re-appraising its various training and development programs to see that they are always suited to today's methods of operation. These programs are intended to further the Company's policy of developing people for positions of leadership from within its ranks.



Some of the 75,000 Acme customers assembled at the Philadelphia Municipal Stadium last fall to watch a pro football game. This was one of two such family-style events sponsored by the Company at this stadium during the year as part of its sales promotion program.



AMERICAN STORES COMPANY
AND SUBSIDIARIES

CONSOLIDATED

ASSETS

	MARCH 31, 1962	APRIL 1, 1961
Current assets:		
Cash	\$ 32,891,905	32,074,684
Short-term marketable securities	7,882,323	4,969,748
Receivables	5,360,283	5,665,299
Inventories, at lower of cost or market	72,703,956	69,842,403
Prepaid expenses	4,032,336	3,811,114
Store properties covered by investors' commitments to purchase	1,968,509	832,514
Total current assets	<u>124,839,312</u>	<u>117,195,762</u>
Investment in unconsolidated subsidiaries, mortgages, etc., at cost	3,505,261	2,136,830
Plant and equipment:		
Land	9,123,401	8,200,031
Buildings	34,689,729	32,716,634
Machinery, equipment and fixtures	76,774,780	73,266,556
Leasehold costs and improvements	14,188,203	13,669,246
Total plant and equipment, at cost	134,776,113	127,852,467
Less accumulated depreciation and amortization ..	54,057,102	51,116,407
	<u>80,719,011</u>	<u>76,736,060</u>
Goodwill	<u>1</u>	<u>1</u>
	<u>\$209,063,585</u>	<u>196,068,653</u>

See accompanying notes to financial statements.

BALANCE SHEET

March 31, 1962 (with comparative figures for 1961)

LIABILITIES AND STOCKHOLDERS' EQUITY

	MARCH 31, 1962	APRIL 1, 1961
Current liabilities:		
Notes payable, long-term, instalments due within one year (note 1)	\$ 1,339,805	1,485,969
Accounts payable	34,672,318	31,803,444
Accrued expenses	10,801,735	9,037,342
Federal and State income taxes, estimated	9,869,225	9,281,725
Total current liabilities	<u>56,683,083</u>	<u>51,614,480</u>
Notes payable, long-term, less instalments due within one year (note 1)	16,801,194	18,377,999
Provision for:		
Deferred income taxes, estimated, applicable to ac- celerated depreciation deducted for tax purposes	3,730,000	3,350,000
Employees' retirement income benefits	368,048	388,081
	<u>4,098,048</u>	<u>3,738,081</u>
Stockholders' equity:		
Common stock of \$1 par value. Authorized 3,000,000 shares; outstanding 2,334,129 shares (1961-2,214,849 shares) (note 2)	2,334,129	2,214,849
Capital in excess of par value of common stock (note 3)	78,545,505	68,409,632
Earnings retained for use in the business, less amount capitalized through stock dividends (note 1)	50,601,626	51,713,612
Total stockholders' equity	<u>131,481,260</u>	<u>122,338,093</u>
	<u>\$209,063,585</u>	<u>196,068,653</u>

**AMERICAN STORES COMPANY
AND SUBSIDIARIES**

STATEMENT OF CONSOLIDATED EARNINGS

Fifty-two weeks ended March 31, 1962 (with comparative figures for preceding period)

	FIFTY-TWO WEEKS ENDED	
	MARCH 31, 1962	APRIL 1, 1961
CURRENT EARNINGS		
Sales	\$1,034,878,658	1,011,489,370
Cost of sales and operating expenses:		
Cost of merchandise sold, including warehousing and transportation expenses	827,869,917	816,558,330
Wages, rents, advertising, administrative and other operating expenses	169,058,490	157,828,875
Depreciation and amortization	9,693,574	9,031,924
	<u>1,006,621,981</u>	<u>983,419,129</u>
Operating profit	28,256,677	28,070,241
Other deductions (income):		
Interest expense	701,929	835,771
Net gain on sale and retirement of plant and equip- ment, interest income, etc.	(675,319)	(308,810)
	<u>26,610</u>	<u>526,961</u>
Earnings before income taxes	28,230,067	27,543,280
Federal and State income taxes, estimated	14,900,000	14,870,000
Net earnings	<u>\$ 13,330,067</u>	<u>12,673,280</u>
EARNINGS RETAINED FOR USE IN THE BUSINESS		
Balance at beginning of period	\$ 51,713,612	51,954,524
Net earnings for the period	<u>13,330,067</u>	<u>12,673,280</u>
	<u>65,043,679</u>	<u>64,627,804</u>
Deduct:		
American Stores Company dividends on common stock:		
Cash dividends—\$2 a share	4,438,643	3,987,793
Stock dividend—5%	10,003,410	8,437,520
Alpha Beta Food Markets, Inc. dividends prior to merger	—	388,890
Premium on redemption of preferred stock of Alpha Beta Food Markets, Inc.	—	99,989
	<u>14,442,053</u>	<u>12,914,192</u>
Balance at end of period	<u>\$ 50,601,626</u>	<u>51,713,612</u>

See accompanying notes to financial statements.

Notes to Financial Statements

March 31, 1962

(1) Notes Payable, Long-term. A summary of long-term notes payable at March 31, 1962 is shown below:

	TOTAL	INSTALMENTS DUE WITHIN ONE YEAR	LONG- TERM
2½% note due August 1, 1967	\$ 4,800,000	337,500	4,462,500
3% notes due August 1, 1967	11,200,000	787,500	10,412,500
5½% note due February 1, 1973	1,725,000	173,000	1,552,000
4½% note due September 1, 1970...	415,999	41,805	374,194
	<u>\$18,140,999</u>	<u>1,339,805</u>	<u>16,801,194</u>

The 2½% and 3% notes are payable in aggregate annual instalments of \$1,125,000 from 1962 to 1966 inclusive with the remainder of \$10,375,000 payable at maturity. The other notes are payable in approximately equal annual amounts to maturity. The 4½% note is secured by deed of trust on certain real estate of a subsidiary.

Certain of the notes contain restrictions as to the payment of cash dividends and the reacquisition and retirement of shares of stock of the company, but retained earnings at March 31, 1962 were free of restriction.

(2) Stock Options. At March 31, 1962 there remained outstanding options granted to 59 officers and employees to purchase 49,391 shares common stock at prices ranging from \$24.36 to \$84.14, such prices being 95% of market price on the respective dates of granting, adjusted for subsequent stock dividends. The options are exercisable on a cumulative basis over a period of 10 years or less from dates of granting. In addition, 45,361 shares common stock were reserved for future option grants.

(3) Capital in Excess of Par Value of Common Stock. During the year this account was increased by:

Excess of assigned value over par value of 111,149 shares common stock issued as a stock dividend	\$ 9,892,261
Excess of sales proceeds over par value of 8,131 shares common stock sold to officers and employees pursuant to exercise of stock options	243,612
	<u>\$10,135,873</u>

(4) Lease Commitments. The company and a subsidiary were lessees under 632 leases expiring more than three years after March 31, 1962. Such leases call for minimum annual rentals (excluding taxes, insurance and maintenance expenses where payable by the lessee) totaling \$14,500,000, of which about 83% relates to leases expiring within 15 years and the remainder relates to leases expiring in from 15 to 25 years.

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

1500 WALNUT STREET

PHILADELPHIA 2, PA.

THE BOARD OF DIRECTORS

AMERICAN STORES COMPANY:

We have examined the consolidated balance sheet of American Stores Company and subsidiaries as of March 31, 1962 and the related statement of earnings for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated earnings present fairly the financial position of American Stores Company and subsidiaries at March 31, 1962 and the results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

PEAT, MARWICK, MITCHELL & CO.

Philadelphia, Pa.

May 14, 1962

AMERICAN STORES COMPANY AND SUBSIDIARIES

TEN-YEAR STATISTICAL SUMMARY

All dollar amounts are expressed in thousands, except per share and per sales dollar figures.

	52 WEEKS ENDED 1962	MARCH 31, 1961	APRIL 1, 1961	APRIL 2, 1960 ^(a)
Sales	\$1,034,879	1,011,489	982,103	
Earnings before taxes on income	28,230	27,543	22,467	
Federal and State taxes on income	14,900	14,870	11,710	
Net earnings	13,330	12,673	10,757	
Cash dividends (common and preferred)	4,439	4,377	4,534	
Earnings for year retained in business	8,891	8,296	6,223	
Net earnings per sales dollar	1.29c	1.25c	1.10c	
Earnings per share of common stock ^(b)	5.71	5.45	4.65	
Cash dividends per share of common stock ^(c)	1.90	1.84	1.86	
Stock dividends	5%	5%	5%	
Current assets	124,839	117,195	112,006	
Current liabilities	56,683	51,614	49,283	
Working capital	68,156	65,581	62,723	
Current ratio	2.20	2.27	2.27	
Plant and equipment additions	15,752	10,129	15,607	
Provision for depreciation and amortization	9,694	9,032	8,768	
Net plant and equipment	80,719	76,736	76,401	
Total assets	209,064	196,069	190,855	
Long-term debt, less amount due within one year	16,801	18,378	21,293	
Shares of common stock outstanding at year-end	2,334,129	2,214,849	2,097,369	
Common stockholders' equity:				
Total	131,481	122,338	113,814	
Per share ^(b)	56.33	52.61	49.22	
Number of retail stores at year-end:				
Self-service super markets	811	799	812	
Other stores	34	41	50	
Total stores	845	840	862	

(a) 53 week period.

(b) Based on shares of stock outstanding at year-end, adjusted for subsequent stock dividends.

(c) Based on shares of stock outstanding at year-end, adjusted for subsequent stock dividends and including dividends paid by an acquired company prior to merger (which in fiscal 1960 included five quarterly dividends). In each of the ten years cash dividends were declared on shares of American Stores Company common stock then outstanding at the rate of \$2.00 per share.

MARCH 28, 1959	MARCH 29, 1958	MARCH 30, 1957	MARCH 31, 1956	APRIL 2, 1955	APRIL 3, 1954 (a)	MARCH 28, 1953
953,410	900,526	835,838	705,108	668,109	640,046	569,801
25,324	23,632	21,819	19,113	15,658	16,881	10,937
13,291	12,296	11,288	9,945	7,943	8,872	5,677
12,033	11,336	10,531	9,168	7,715	8,009	5,260
3,857	3,999	3,703	3,154	2,926	2,767	2,741
8,176	7,337	6,828	6,014	4,789	5,242	2,519
1.26¢	1.26¢	1.26¢	1.30¢	1.15¢	1.25¢	.92¢
5.23	4.95	4.61	4.25	3.61	3.78	2.49
1.63	1.71	1.59	1.43	1.33	1.27	1.26
5%	5%	5%	5%	5%	5%	—
106,169	101,572	92,740	82,717	75,480	78,367	70,938
42,958	43,779	40,850	34,719	29,357	31,059	27,242
63,211	57,793	51,890	47,998	46,123	47,308	43,696
2.47	2.32	2.27	2.38	2.57	2.52	2.60
13,207	10,311	12,254	9,289	11,176	6,619	3,637
8,203	7,095	6,490	5,539	4,861	4,496	4,313
69,417	66,041	61,865	55,020	51,719	45,763	43,801
178,996	171,387	156,626	138,891	128,308	125,263	117,070
23,120	23,422	21,722	22,429	23,702	24,400	25,600
1,995,080	1,897,050	1,807,332	1,631,084	1,541,081	1,456,443	1,385,320
107,319	98,897	91,279	79,189	72,978	67,739	62,350
46.62	43.19	39.99	36.68	34.13	31.97	29.53
809	818	794	764	782	787	814
65	75	140	219	320	371	502
874	893	934	983	1,102	1,158	1,316